

TOWN OF LEE, MASSACHUSETTS

MANAGEMENT LETTER

June 30, 2014

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Adelson & Company PC

CERTIFIED PUBLIC ACCOUNTANTS

Established 1938

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To the Board of Selectmen
Town of Lee, Massachusetts

Dear Members of the Board of Selectmen:

In connection with our audit of the financial statements of the Town of Lee, Massachusetts as of June 30, 2014, we have made a review of the Town's accounting procedures and internal control. While the primary objective of such a review is to afford us a basis of determining the scope of our audit procedures, it nevertheless presents us with an opportunity to submit, for the Town's consideration, suggestions for changes in procedures, which in our opinion, would strengthen internal control or contribute to the improvement of operating efficiency.

The comments and recommendations in this letter are based upon observations made in the course of such review. The review was not designed for the purposes of expressing an opinion on internal accounting control, and it would not necessarily disclose all weaknesses in the system.

Please indicate in the "Action Taken" space of the letter, what corrective measures the Town intends to implement with regard to each recommendation, which will be part of the final letter. After you have had an opportunity to consider our comments and recommendations, we shall be pleased to discuss them further with you.

We would like to express our thanks and appreciation to the Town and its personnel for the cooperation given us during the course of our examination.

Sincerely yours,

Adelson & Company PC

ADELSON & COMPANY PC

January 23, 2015

Comments and Recommendations

1. The Town's Ambulance Department (Special Revenue Fund) accounts receivables as of June 30, 2014 were \$807,731. Of this amount, approximately \$241,801 is more than six years old, which may not be collectible.

In addition, during our review of the internal controls over processing claims and monitoring subsequent collections, we noted that the individual responsible for these duties divides their time between office functions and serving as a full-time field medic, resulting in an insufficient amount of time to follow up on outstanding receivables.

Recommendation:

The Town should follow up in a timely manner collecting on its Ambulance charges receivables. The Town should also review the allocation of time spent by the individual responsible for performing such duties, to ensure the receivables are monitored and collected timely.

Action Taken:

The Town issued a request for proposal for billing and collecting fees for services provided by the Town's Ambulance Department. Subsequent to year end, the Town awarded this contract to Comstar, Inc. As part of the agreement, claims will be processed within seven days of receipt and the billing service must submit the claims for payment within 14 days.

In addition, the Town Collector's office will be assisting with collections on existing outstanding receivables.

2. The Town is not retaining its Federal I-9, Employment Eligibility Verification Forms, in accordance with the Immigration Reform and Control Act of 1986 which requires them to be retained by employers for three years after the date of hire or one year after the date employment ends, whichever is later. During our testing of payroll, five employee I-9 forms were unable to be located and four I-9 forms were not signed by the Town as employer.

Recommendation:

The Town should complete I-9 Forms for all current employees and retain them in accordance with Federal law.

Action Taken:

The Town Treasurer has reviewed all current I-9's to ensure proper signature by the Town as employer. The Treasurer's department has reviewed its policy for new employees and will work diligently to make sure that I-9's are completed by all new employees, signed by the Town, and retained in accordance with Federal law. The I-9 form is also part of the Town's new employee packet which each new employee receives upon hire.

Comments and Recommendations

3. The Governmental Accounting Standards Board (GASB) has issued Statement 68 Accounting and Financial Reporting for Pensions, which is required to be implemented in fiscal year 2015. The Town participates in the Berkshire County Retirement System, which is a cost-sharing multiple-employer Public Employee Retirement System. Accordingly, the Town's cost-sharing portion of this plan's actuarially accrued unfunded liability, if any, is required to be recorded on the Town's financial statements as of June 30, 2015. Additional information on the pension plan will be needed for disclosure in the Town's financial statements.

Recommendation:

The Town should contact its pension administrator to ensure that the proper reporting and required information is obtained in order to meet the disclosure requirements of GASB 68. This report should be obtained annually for fiscal year ending June 30 by August 1st.

Action Taken:

The Town has contacted the Berkshire County Retirement System and they are aware of the GASB statements and are addressing these requirements. They have recently put out a Request for Response in regards to GASB 67 and 68 and will update participating towns and cities as information becomes available.

Status of Prior Year Recommendations

1. We recommended the Town Accountant prepare *Governmental Fund* type financial statements in accordance with the modified accrual basis of accounting for preparation of the Town's financial statements. For fiscal year 2014, the Town Accountant did provide a balance sheet and is currently working towards providing a Statement of Revenues, Expenditures and Changes in Fund Balances in future years. This will require additional working hours per week by the Town Accountant.
2. The Town has implemented the use of Asset Keeper to track fixed assets and calculate depreciation expense.